

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Evart	County Osceola
Fiscal Year End 06/30/2007	Opinion Date 08/30/2007	Date Audit Report Submitted to State November 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

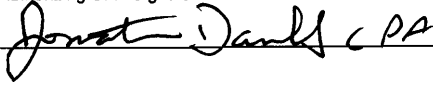
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Zip 49601			
Authorizing CPA Signature 	Printed Name Jonathan E. Damhof	License Number 1101022613	

**CITY OF EVART, MICHIGAN**

**JUNE 30, 2007**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CITY OF EVART, MICHIGAN  
JUNE 30, 2007

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# *Baird, Cotter and Bishop, P.C.*

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August 30, 2007

### INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Evart, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evart, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the City of Evart which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for two of the City's legally separate component units (namely the "Local Development Finance Authority" and the "Downtown Development Authority"), which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Evart, as of June 30, 2007, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the component units named above, expect to issue separate reporting entity financial statements at a future date by other auditors who have not issued their report by August 30, 2007.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Evart, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007, on our consideration of the City of Ewart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii through xii and budgetary comparison information on pages 37-38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ewart, Michigan's basic financial statements. The other supplementary information is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2007

The management of the City of Evart, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

**Government-Wide**

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$19,024,334 (shown as *Net Assets*).

**Fund Level Financial Highlights**

- ❖ As of June 30, 2007, the governmental funds of the City of Evart reported combined ending fund balances of \$1,042,943, of which \$901,879 is unreserved.
- ❖ The fund balance of the City's General Fund decreased this year to \$351,830, or 29.6% of total general fund expenditures. The decrease was \$24,902.

**Long-Term Debt**

- ❖ The City of Evart's long-term debt **decreased** by \$32,434 during the fiscal year.

**Overview of the Financial Statements**

The City of Evart's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide a broad overview of the City's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the City's assets and liabilities, the difference between the two being reported as the Net Assets of the City. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the City is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2007

other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services.

### **Focus on Funds**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The City's major Governmental Funds include the General Fund, Major Street Fund, and Local Street Fund. The major Proprietary Funds include the Water and Sewer Funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of Evart uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** Many of the City's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the City include the General Fund as well as the special revenue, capital project, debt service and permanent funds.

**Proprietary Funds** Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City.

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2007

There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the City. These funds allow the City to allocate costs of centralized services such as the City's vehicle fleet. The City has one internal service fund, the Equipment Pool Fund.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

***Component Units*** The City's financial statements should include reporting on separate legal entities for which the City has some level of financial responsibility. These funds should be shown in a separate column. The City's component units include the Downtown Development Authority, and the Local Development Finance Authority. The Downtown Development Authority and the Local Development Finance Authority are not included in this report, due to the unavailability of their year end financial statements at the press date of this report.

### **Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on page 37 of this report.

### **Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$19,024,334 at June 30, 2007, meaning that the City's assets were greater than its liabilities by this amount. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.



CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2007

**City of Evart**  
**Net Assets as of June 30, 2007**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,377,126	\$ 1,280,080	\$ 2,143,086	\$ 3,034,575	\$ 3,520,212	\$ 4,314,655
Capital Assets	6,721,725	6,526,410	9,902,773	8,440,184	16,624,498	14,966,594
<b>Total Assets</b>	<u>8,098,851</u>	<u>7,806,490</u>	<u>12,045,859</u>	<u>11,474,759</u>	<u>20,144,710</u>	<u>19,281,249</u>
Long-term liabilities	227,128	170,300	685,000	743,886	912,128	914,186
Other liabilities	40,811	74,536	167,437	105,878	208,248	180,414
<b>Total Liabilities</b>	<u>267,939</u>	<u>244,836</u>	<u>852,437</u>	<u>849,764</u>	<u>1,120,376</u>	<u>1,094,600</u>
Net Assets						
Invested in capital assets						
Net of related debt	6,561,625	6,358,624	9,172,773	7,665,184	15,734,398	14,023,808
Restricted	135,977	135,381	356,294	323,789	492,271	459,170
Unrestricted	1,133,310	1,067,649	1,664,355	2,636,022	2,797,665	3,703,671
<b>Total Net Assets</b>	<u>\$ 7,830,912</u>	<u>\$ 7,561,654</u>	<u>\$ 11,193,422</u>	<u>\$ 10,624,995</u>	<u>\$ 19,024,334</u>	<u>\$ 18,186,649</u>

The most significant portion of the City's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$2,797,665 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

The total net assets of the City increased \$837,685 in this fiscal year, which is a good indicator that the City experienced positive financial growth during the year. As a result, the City ended the fiscal year in better condition than when the year started. The following table illustrates and summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the government-wide Statement of Activities.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2007

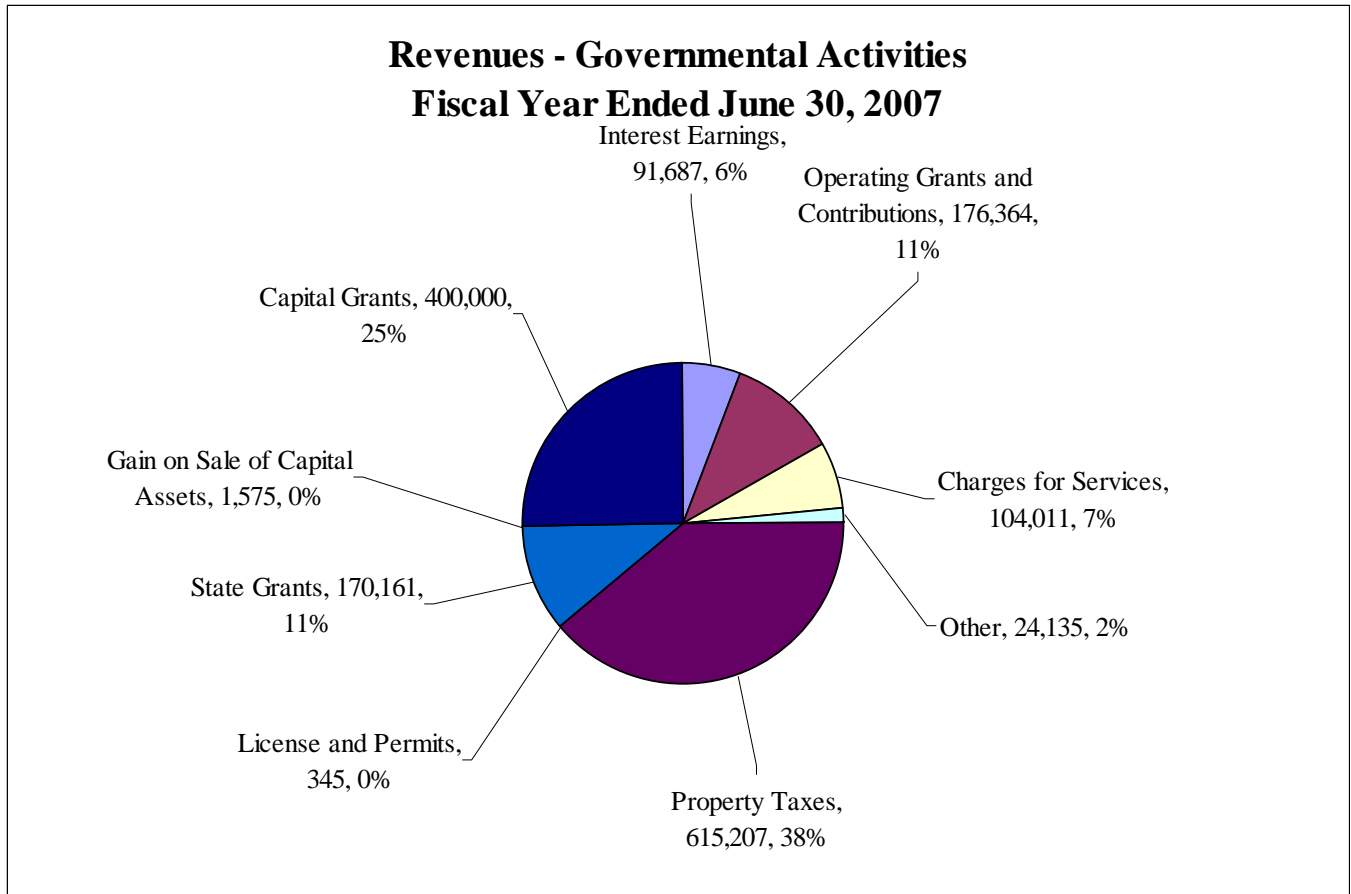
City of Evart  
Change in Net Assets  
for the Fiscal Year Ended June 30,

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 104,011	\$ 104,570	\$ 1,040,627	\$ 1,037,585	\$ 1,144,638	\$ 1,142,155
Operating Grants and Contributions	176,364	164,512	0	200,000	176,364	364,512
Capital Grants and Contributions	400,000	125,000	608,912	0	1,008,912	125,000
<b>General Revenues</b>						
Property Taxes	615,207	624,274	0	0	615,207	624,274
State Grants	170,161	172,129	0	0	170,161	172,129
License and Permits	345	404	0	0	345	404
Interest Earnings	91,687	50,827	79,047	86,286	170,734	137,113
Gain on Sale of Capital Assets	1,575	25,468	0	0	1,575	25,468
Other Revenues	24,135	32,008	0	181	24,135	32,189
<b>Total Revenues</b>	<u>1,583,485</u>	<u>1,299,192</u>	<u>1,728,586</u>	<u>1,324,052</u>	<u>3,312,071</u>	<u>2,623,244</u>
<b><u>Expenses</u></b>						
Legislative	2,800	3,646	0	0	2,800	3,646
General Government	184,323	245,473	0	0	184,323	245,473
Public Safety	338,131	365,527	0	0	338,131	365,527
Public Works	655,811	598,388	0	0	655,811	598,388
Recreation and Culture	66,543	104,235	0	0	66,543	104,235
Other Functions	58,675	48,127	0	0	58,675	48,127
Interest on Long-Term Debt	7,944	8,105	0	0	7,944	8,105
Water and Sewer	0	0	1,160,159	1,055,677	1,160,159	1,055,677
<b>Total Expenses</b>	<u>1,314,227</u>	<u>1,373,501</u>	<u>1,160,159</u>	<u>1,055,677</u>	<u>2,474,386</u>	<u>2,429,178</u>
Increase (Decrease) in Net Assets	269,258	(74,309)	568,427	268,375	837,685	194,066
Beginning Net Assets	7,561,654	7,635,963	10,624,995	10,356,620	18,186,649	17,992,583
Ending Net Assets	<u>\$ 7,830,912</u>	<u>\$ 7,561,654</u>	<u>\$11,193,422</u>	<u>\$10,624,995</u>	<u>\$19,024,334</u>	<u>\$18,186,649</u>

**Governmental Activities**

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2007:

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2007



A significant portion of the revenue for all governmental activities of the City of Evart comes from Property Taxes (38.9%). The City's operating millage remained the same in 2007 at 14.5539 mills. The City's charter allows the City to levy up to 15.00 mills for operations. Due to State statutes, the City is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2007, the amount of state shared revenue received by the City trended downward, representing decreasing sales tax collections and discretionary decreases by the State in revenue sharing payments.

The City's governmental activities expenses are dominated by the Public Works expenses that total 49.9% of total expenses. The City spent \$655,811 in FY2007 on Public Works. Public Safety represented the next largest expense at \$338,131, or 25.7% of total expenses within the governmental activities.

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2007

**Business-Type Activities**

These activities accounted for an increase of \$568,427 in the City's Net Assets.

The Business-Type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** At the completion of the City's fiscal year ended June 30, 2007, its governmental funds reported fund balances of \$1,042,943. Of this amount, \$901,879, or 86.5% is unreserved. Of this amount \$494,507 of unreserved and undesignated fund balance exists in the City's Special Revenue funds. \$141,064 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

**General Fund** – The General Fund is the main operating fund of the City. The General Fund decreased its fund balance in this fiscal year by \$24,902, bringing the balance to \$351,830. Unreserved fund balance decreased by \$21,742. Interest income for the General Fund increased by \$29,460, or 158.6% due to current market conditions producing increased rates of return. Property tax revenues in the General Fund decreased \$13,192 in 2007, a decrease of 2.4%. State shared revenue decreased by \$1,949 from the amount received in the previous fiscal year, representing a 1.1% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

**Major Street Fund** – The fund balance of the Major Street Fund ended the year at \$155,007. This was a decrease of \$9,352 from the previous year. The City used funds accumulated from previous years in order to complete this year's projects. Major street fund expenditures of \$158,476 exceeded appropriations of \$150,033.

**Local Street Fund** – The fund balance of this fund is at \$138,712 an increase of \$8,869, during this fiscal year.

***Proprietary Funds*** The City's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

**Water Fund** – The Water Fund ended this fiscal year with \$1,308,994 in unrestricted net assets. With increased usage, the total operating revenues of the fund increased from \$515,478 in FY2006 to \$544,987 in 2007. This fund experienced a decrease in interest income of \$10,894, or 18.2% from the previous fiscal year. The net assets of the fund increased by \$353,264. The water fund received a Community Development Block Grant in the amount of \$325,490.

**Sewer Fund** – The Sewer Fund ended this fiscal year with \$355,361 in unrestricted net assets. However, due to decreased usage the total operating revenues decreased from \$522,288 in FY2006 to \$495,730 in 2007. The fund experienced an increase in interest income of \$3,655, or 13.8% from the previous fiscal

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2007

year. The net assets of the fund increased \$215,163. The sewer fund received a Community Development Block Grant in the amount of \$280,600.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for the governmental and business-type activities as of June 30, 2007 amounted to \$16,624,498 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

**City of Evart  
Capital Assets as of June 30, 2007**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land and Land Improvements	\$ 3,652,606	\$ 3,569,319	\$ 463,591	\$ 463,591	\$ 4,116,197	\$ 4,032,910
Infrastructure	5,748,607	5,692,908	0	0	5,748,607	5,692,908
Buildings	1,333,169	956,180	32,960	32,960	1,366,129	989,140
Improvements other than Buildings	0	0	12,182,985	11,447,666	12,182,985	11,447,666
Intangibles	138,488	138,488	125,267	125,267	263,755	263,755
Machinery and Equipment	758,049	686,190	1,628,422	619,232	2,386,471	1,305,422
Subtotal	11,630,919	11,043,085	14,433,225	12,688,716	26,064,144	23,731,801
Accumulated Depreciation	(4,909,194)	(4,516,675)	(4,530,452)	(4,248,532)	(9,439,646)	(8,765,207)
Net Capital Assets	<u>\$ 6,721,725</u>	<u>\$ 6,526,410</u>	<u>\$ 9,902,773</u>	<u>\$ 8,440,184</u>	<u>\$ 16,624,498</u>	<u>\$ 14,966,594</u>

Major capital asset events during FY2007 included the following:

- The City purchased a copier at a cost of \$7,070.
- Land was purchased at a cost of \$9,126.
- A police car was purchased at a cost of \$26,731.
- The city constructed a new building for the Department of Public Works at a cost of \$376,989.
- A fence was erected at the skate park at a cost of \$7,407.
- Improvements were completed at Guyton Park at a cost of \$66,753.
- The sewer fund completed pump station renovations at a cost of \$557,282.
- The water fund completed water system improvements at a cost of \$1,182,514.
- The Equipment Pool purchased equipment at a cost of \$45,523.
- The Major Street fund completed a resurfacing project on Cedar Street at a cost of \$55,699.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section on pages 24-26.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2007

**Long-Term Debt.** As of June 30, 2007, the City had total bonded debt outstanding of \$890,100. Of this amount, \$160,100 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources. All of the revenue bonds are from the Sewer Fund (\$730,000), which are backed by revenues from the Sewer system and have been used to finance major capital projects within the Sewer system.

**City of Evart Outstanding Debt  
Long Term Debt  
as of June 30, 2007**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
General Obligation Bonds	\$ 160,100	\$ 163,500	\$ 0	\$ 0	\$ 160,100	\$ 163,500
Contracts and Notes	0	4,286	0	0	0	4,286
Revenue Bonds	0	0	730,000	775,000	730,000	775,000
Total	<u>\$ 160,100</u>	<u>\$ 167,786</u>	<u>\$ 730,000</u>	<u>\$ 775,000</u>	<u>\$ 890,100</u>	<u>\$ 942,786</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation based on the City's assessed valuation of \$53,285,332 is \$5,328,533, which is significantly in excess of the City's outstanding general obligation debt of \$160,100.

The City issued no new bonded debt or contracts in FY2007, and the total bonded debt and contracts decreased \$52,686. More information on the City's long-term debt is available in the Notes to Financial Statements section of this document.

**Major Fund Budgetary Highlights**

The original revenue budget in the General Fund was increased from \$872,219 to \$1,275,613 primarily due to anticipated revenue received to relocate the Department of Public Works building. This is also the primary reason for the increase in the expenditure budget from \$712,695 to \$1,235,680. The Public Safety budget also increased by approximately \$86,000.

**Contacting the City's Finance Department**

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Evart, Pamela Wayne, City Treasurer, 200 S. Main, Evart, Michigan 49631, or call us at (231) 734-2181.

The financial reports for the Downtown Development Authority and the Local Development Finance Authority, both component units of the City, can be obtained by contacting Dan Elliott, Director, at 127 N. River Street, Evart, Michigan 49631, or call (231) 734-6119.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 1,046,337	\$ 1,422,677	\$ 2,469,014
Accounts Receivable	141,266	292,205	433,471
Taxes Receivable	8,001	0	8,001
Special Assessments Receivable	51,906	25,712	77,618
Mortgages Receivable	18,053	0	18,053
Due from Component Units - DDA/LDFA	7,475	0	7,475
Internal Balances	(38,368)	38,368	0
Inventories	0	1,154	1,154
Prepaid Expenses	6,483	6,676	13,159
Total Current Assets	1,241,153	1,786,792	3,027,945
<u>Noncurrent Assets</u>			
Restricted Cash	135,973	356,294	492,267
<u>Capital Assets</u>	11,630,919	14,433,225	26,064,144
Less Accumulated Depreciation	(4,909,194)	(4,530,452)	(9,439,646)
Total Capital Assets	6,721,725	9,902,773	16,624,498
TOTAL ASSETS	\$ 8,098,851	\$ 12,045,859	\$ 20,144,710

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 35,910	\$ 101,009	\$ 136,919
Accrued Interest Payable	1,301	18,250	19,551
Deferred Revenue	0	3,178	3,178
Current Portion of Non Current Liabilities	3,600	45,000	48,600
Total Current Liabilities	40,811	167,437	208,248
<u>Non Current Liabilities</u>			
Bonds Payable	160,100	730,000	890,100
Compensated Absences	70,628	0	70,628
Less Current Portion of Non Current Liabilities	(3,600)	(45,000)	(48,600)
Total Non Current Liabilities	227,128	685,000	912,128
Total Liabilities	267,939	852,437	1,120,376
<u>Net Assets</u>			
Invested in Capital Assets			
Net of Related Debt	6,561,625	9,172,773	15,734,398
Restricted for:			
Debt Service	4	356,294	356,298
Perpetual Care	135,973	0	135,973
Unrestricted	1,133,310	1,664,355	2,797,665
Total Net Assets	7,830,912	11,193,422	19,024,334
TOTAL LIABILITIES AND NET ASSETS	\$ 8,098,851	\$ 12,045,859	\$ 20,144,710

The notes to the financial statements are an integral part of this statement.



CITY OF EVART  
EVART, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<u>Primary Government</u>							
Governmental Activities							
Legislative	\$ 2,800	\$ 0	\$ 0	\$ 0	\$ (2,800)	\$ 0	\$ (2,800)
General Government	184,323	17,553	0	0	(166,770)	0	(166,770)
Public Safety	338,131	58,696	0	0	(279,435)	0	(279,435)
Public Works	655,811	0	175,164	400,000	(80,647)	0	(80,647)
Recreation and Culture	66,543	27,762	1,200	0	(37,581)	0	(37,581)
Other Functions	58,675	0	0	0	(58,675)	0	(58,675)
Interest on Long Term Debt	7,944	0	0	0	(7,944)	0	(7,944)
Total Governmental Activities	1,314,227	104,011	176,364	400,000	(633,852)	0	(633,852)
Business-type Activities							
Water Supply	568,882	544,897	0	328,312	0	304,327	304,327
Sewage Disposal	591,277	495,730	0	280,600	0	185,053	185,053
Total Business-type Activities	1,160,159	1,040,627	0	608,912	0	489,380	489,380
Total Primary Government	\$ 2,474,386	\$ 1,144,638	\$ 176,364	\$ 1,008,912	(633,852)	489,380	(144,472)
<u>General Revenues</u>							
Property Taxes					615,207	0	615,207
State Grants					170,161	0	170,161
License and Permits					345	0	345
Interest Earnings					91,687	79,047	170,734
Gain on Sale of Capital Assets					1,575	0	1,575
Other Revenues					24,135	0	24,135
Total General Revenues					903,110	79,047	982,157
Change in Net Assets					269,258	568,427	837,685
<u>NET ASSETS - Beginning of Year</u>					7,561,654	10,624,995	18,186,649
<u>NET ASSETS - End of Year</u>					\$ 7,830,912	\$ 11,193,422	\$ 19,024,334

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 383,685	\$ 142,014	\$ 135,441	\$ 264,343	\$ 925,483
Receivables (Net, Where Applicable of Allowances for Uncollectables)					
Taxes	8,001	0	0	0	8,001
Accounts	114,632	2,213	0	0	116,845
Intergovernmental	0	18,179	6,242	0	24,421
Special Assessments	0	51,906	0	0	51,906
Mortgages	0	0	0	18,053	18,053
Due from Component Units	7,475	0	0	0	7,475
Due from Other Funds	2,290	0	0	0	2,290
Prepaid Expenses	2,834	978	442	833	5,087
Restricted Cash	0	0	0	135,973	135,973
<b>TOTAL ASSETS</b>	<b>\$ 518,917</b>	<b>\$ 215,290</b>	<b>\$ 142,125</b>	<b>\$ 419,202</b>	<b>\$ 1,295,534</b>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 20,054	\$ 4,839	\$ 2,593	\$ 2,560	\$ 30,046
Pavilion Rental Deposits	0	0	0	840	840
Due to Other Funds	47,033	3,538	820	355	51,746
Deferred Revenue	100,000	51,906	0	18,053	169,959
<b>Total Liabilities</b>	<b>167,087</b>	<b>60,283</b>	<b>3,413</b>	<b>21,808</b>	<b>252,591</b>
<u>Fund Balance</u>					
Reserved for Prepaid Expenses	2,834	978	442	833	5,087
Reserved for Debt Service	0	0	0	4	4
Reserved for Endowment	0	0	0	135,973	135,973
Unreserved, Designated for,					
Designated for Skate Park	0	0	0	22,866	22,866
Designated for Equipment	0	0	0	2,482	2,482
Unreserved, Undesignated, Reported In:					
General Fund	348,996	0	0	0	348,996
Special Revenue Funds	0	154,029	138,270	202,208	494,507
Capital Project Funds	0	0	0	33,028	33,028
<b>Total Fund Balance</b>	<b>351,830</b>	<b>155,007</b>	<b>138,712</b>	<b>397,394</b>	<b>1,042,943</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 518,917</b>	<b>\$ 215,290</b>	<b>\$ 142,125</b>	<b>\$ 419,202</b>	<b>\$ 1,295,534</b>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances		\$ 1,042,943
Amounts reported for governmental activities in the statement of net assets are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities, related to governmental activities fund.		372,065
Long-term receivables are not available to pay current period expenditures and therefore are deferred in governmental funds		
Special Assessments Receivable	\$ 51,906	
Mortgages Receivable	<u>18,053</u>	69,959
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	10,997,025	
Accumulated depreciation is	<u>(4,519,051)</u>	6,477,974
Balance of accounts receivable at June 30, 2007, expected to be collected after September 1, 2007		100,000
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(160,100)
Accrued Interest Payable		(1,301)
Compensated Absences		<u>(70,628)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 7,830,912</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 607,244	\$ 8,047	\$ 0	\$ 0	\$ 615,291
Licenses and Permits	81	0	0	0	81
State Grants	181,281	122,843	41,201	0	345,325
Contributions from Local Units	0	0	0	1,200	1,200
Charges for Services	58,941	0	0	30,725	89,666
Fines and Forfeits	2,945	0	0	0	2,945
Interest and Rents	48,038	11,314	5,432	41,428	106,212
Other Revenue	414,667	0	0	8,098	422,765
Total Revenues	1,313,197	142,204	46,633	81,451	1,583,485
<u>Expenditures</u>					
Legislative	2,800	0	0	0	2,800
General Government	182,154	0	0	41,306	223,460
Public Safety	355,972	0	0	0	355,972
Public Works	587,018	158,476	54,405	0	799,899
Recreation and Culture	0	0	0	129,193	129,193
Other Functions	58,675	0	0	0	58,675
Debt Service					
Principal	0	0	0	3,400	3,400
Interest and Fiscal Charges	0	0	0	7,971	7,971
Total Expenditures	1,186,619	158,476	54,405	181,870	1,581,370
Excess (Deficiency) of Revenues Over Expenditures	126,578	(16,272)	(7,772)	(100,419)	2,115
<u>Other Financing Sources (Uses)</u>					
Transfers In	25,701	6,920	16,641	153,623	202,885
Transfers Out	(177,181)	0	0	(25,704)	(202,885)
Total Other Financing Sources (Uses)	(151,480)	6,920	16,641	127,919	0
Net Change in Fund Balance	(24,902)	(9,352)	8,869	27,500	2,115
<u>Fund Balance</u> - Beginning of Year	376,732	164,359	129,843	369,894	1,040,828
<u>Fund Balance</u> - End of Year	\$ 351,830	\$ 155,007	\$ 138,712	\$ 397,394	\$ 1,042,943

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ 2,115
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Amounts reported for governmental activities are different because:

Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.	4,395
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Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(357,306)
Capital Outlay	545,062

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	1,328
Accrued Interest Payable - End of Year	(1,301)

Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	3,400
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Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred Revenue - Beginning of Year	(78,142)
Deferred Revenue - End of Year	169,959

Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	50,376
Compensated Absences - End of Year	(70,628)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 269,258</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2007

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			Governmental
	<u>MAJOR FUNDS</u>			Activities-
	Water	Sewage		Internal Service
	Supply	Disposal	Totals	Fund
<u>Assets</u>				
<u>Current Assets</u>				
Cash	\$ 1,184,074	\$ 238,603	\$ 1,422,677	\$ 119,958
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	122,952	107,279	230,231	0
Special Assessments	25,712	0	25,712	0
Intergovernmental	29,373	32,601	61,974	0
Due from Other Funds	1	46,282	46,283	11,129
Inventory	0	1,154	1,154	0
Prepaid Expense	3,554	3,122	6,676	1,396
Total Current Assets	1,365,666	429,041	1,794,707	132,483
<u>Restricted Assets</u>				
Cash	0	356,294	356,294	0
<u>Capital Assets</u>				
Land	5,500	458,091	463,591	0
Land Improvements and Additions	6,817,835	5,490,417	12,308,252	0
Buildings	32,960	0	32,960	0
Machinery and Equipment	725,364	903,058	1,628,422	633,894
	7,581,659	6,851,566	14,433,225	633,894
Less Accumulated Depreciation	2,102,349	2,428,103	4,530,452	390,143
Total Capital Assets, Net of Accumulated Depreciation	5,479,310	4,423,463	9,902,773	243,751
TOTAL ASSETS	\$ 6,844,976	\$ 5,208,798	\$ 12,053,774	\$ 376,234

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2007

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			Governmental
	<u>MAJOR FUNDS</u>			Activities-
	Water	Sewage		Internal Service
	Supply	Disposal	Totals	Fund
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 49,355	\$ 51,654	\$ 101,009	\$ 4,128
Accrued Interest Payable	0	18,250	18,250	0
Deferred Revenues	3,178	0	3,178	0
Due to Other Funds	4,139	3,776	7,915	41
Total Current Liabilities	56,672	73,680	130,352	4,169
<u>Current Liabilities Payable From Restricted Assets</u>				
Current Portion of Non-Current Liabilities				
Revenue Bonds	0	45,000	45,000	0
<u>Non-Current Liabilities</u>				
Revenue Bonds	0	730,000	730,000	0
Less Current Portion	0	(45,000)	(45,000)	0
Total Non-Current Liabilities	0	685,000	685,000	0
Total Liabilities	56,672	803,680	860,352	4,169
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	5,479,310	3,693,463	9,172,773	243,751
Restricted for Debt Service	0	356,294	356,294	0
Unrestricted	1,308,994	355,361	1,664,355	128,314
Total Net Assets	\$ 6,788,304	\$ 4,405,118	\$ 11,193,422	\$ 372,065

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2007

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
<u>Operating Revenues</u>				
Charges for Services	\$ 544,897	\$ 495,730	\$ 1,040,627	\$ 0
Rental	0	0	0	139,908
Total Operating Revenues	544,897	495,730	1,040,627	139,908
<u>Operating Expenses</u>				
Personal Services	114,780	106,386	221,166	22,498
Employee Benefits	55,387	47,616	103,003	6,599
Professional Services	39,779	39,177	78,956	1,516
Office Supplies and Expense	5,909	3,638	9,547	300
Communications	2,037	1,823	3,860	0
Insurance	2,202	2,533	4,735	9,074
Operating Supplies and Expense	78,273	81,619	159,892	62,766
Heat, Light and Power	81,749	109,231	190,980	0
Depreciation	152,766	129,154	281,920	37,963
Rentals	36,000	33,600	69,600	0
Total Operating Expenses	568,882	554,777	1,123,659	140,716
Operating Income (Loss)	(23,985)	(59,047)	(83,032)	(808)
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	48,937	30,110	79,047	4,600
Gain on Sale of Capital Asset	0	0	0	655
Community Development Block Grant	325,490	280,600	606,090	0
Fremont Area Community Foundation Grant	2,822	0	2,822	0
Interest and Fiscal Charges	0	(36,500)	(36,500)	(52)
Total Nonoperating Revenues (Expenses)	377,249	274,210	651,459	5,203
Change in Net Assets	353,264	215,163	568,427	4,395
<u>Net Assets - Beginning of Year</u>	6,435,040	4,189,955	10,624,995	367,670
<u>Net Assets - End of Year</u>	\$ 6,788,304	\$ 4,405,118	\$ 11,193,422	\$ 372,065

The notes to the financial statements are an integral part of this statement.



CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

JUNE 30, 2007

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 555,696	\$ 500,950	\$ 1,056,646	\$ 0
Receipts from Interfund Services Provided	0	0	0	137,459
Payments to Suppliers	(273,345)	(345,089)	(618,434)	(78,867)
Payments to Employees	(114,780)	(106,386)	(221,166)	(22,498)
Net Cash Provided by Operating Activities	167,571	49,475	217,046	36,094
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	(1,184,870)	(559,639)	(1,744,509)	(45,522)
Principal Paid on Capital Debt	0	(45,000)	(45,000)	(4,286)
Interest Paid on Capital Debt	0	(36,500)	(36,500)	(52)
Proceeds from the Sale of Capital Assets	0	0	0	655
Grant Proceeds	298,939	247,999	546,938	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(885,931)	(393,140)	(1,279,071)	(49,205)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	48,937	30,110	79,047	4,600
Net Increase (Decrease) in Cash and Cash Equivalents	(669,423)	(313,555)	(982,978)	(8,511)
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>1,853,497</u>	<u>908,452</u>	<u>2,761,949</u>	<u>128,469</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 1,184,074</u>	<u>\$ 594,897</u>	<u>\$ 1,778,971</u>	<u>\$ 119,958</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

JUNE 30, 2007

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (23,985)	\$ (59,047)	\$ (83,032)	\$ (808)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	152,766	129,154	281,920	37,963
(Increase) Decrease in Current Assets				
Accounts Receivable	10,799	5,220	16,019	0
Special Assessment Receivable	3,270	0	3,270	0
Due from Other Funds	0	(46,282)	(46,282)	(2,449)
Prepaid Expense	(2,101)	(1,588)	(3,689)	(684)
Increase (Decrease) in Current Liabilities				
Accounts Payable	22,749	36,757	59,506	2,094
Accrued Compensated Absences	0	(13,886)	(13,886)	0
Accrued Interest Payable	0	(1,125)	(1,125)	0
Deferred Revenues	3,178	0	3,178	0
Due to Other Funds	895	272	1,167	(22)
Total Adjustments	191,556	108,522	300,078	36,902
Net Cash Provided by Operating Activities	\$ 167,571	\$ 49,475	\$ 217,046	\$ 36,094

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Agency Accounts</u>
<u>Assets</u>	
Cash	\$ 132,463
Personal Property Taxes Receivable	<u>17,807</u>
Total Assets	<u><u>\$ 150,270</u></u>
 <u>Liabilities</u>	
Accounts Payable	\$ 132,463
Due to Other Governmental Units	<u>17,807</u>
Total Liabilities	<u>150,270</u>
 <u>Net Assets</u>	<u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Evart, Michigan, was incorporated August 1, 1938, and adopted its current charter on July 1, 1983. The City is located in Osceola County. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire protection), highways and streets, sanitation, health, culture-recreation, public improvements, planning and zoning, housing rehabilitation and general administrative services. In addition, the City operates two major enterprise activities; a water supply system and a sewage collection and treatment system. The City financial statements include the accounts of all City operations.

The financial statements of the City of Evart, Michigan (government) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

As required by generally accepted accounting principles, except for the exclusion of the Downtown Development Authority and the Local Development Finance Authority, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The blended and the discretely presented component units have a June 30 year end.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City of Evart reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines. It accounts for all construction, maintenance, traffic services and snow and ice control of all streets designated as major.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The City of Evart reports the following major proprietary funds:

The *Water Supply* records financial activity of the water system which provides water to customers.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The *Sewage Disposal* records financial activity of the sewage disposal services to its customers.

Additionally the City of Evart reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The *permanent funds* are accounted for using the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

*Fiduciary funds* account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund, Sewer Fund, and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments - The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of uncollectibles.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Winter Current Tax Collection Fund. County and school taxes are billed and due December 1, and become delinquent after February 14. City property tax revenues are recognized when levied, thus none of the 2007 summer roll has been recognized in these statements. City taxes are billed and due July 1, and become delinquent after August 10. City tax collections are accounted for in the Summer Tax Collection Fund. The school 6 mill tax levy is also collected on the summer tax roll.

4. Restricted Assets

The restricted assets of the Sewage Disposal Fund consists of bond and interest redemption, bond reserve and system improvement deposits. These have been set up in keeping with the bond indenture agreements. The restricted assets of the Cemetery Perpetual Care Fund produce interest earnings which are restricted to the care of the Cemetery.

5. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories held by the General, Water and Internal Service Funds are not considered material and are not included in these financial statements.

6. Mortgages Receivable

Mortgages Receivable as reported in the Special Revenue Funds consist of the following:

Mortgages resulting from loans made with H.U.D. grant monies to assist low and moderate income families to bring their homes up to the City building code. These loans are either low interest or interest free. An allowance for uncollectible amounts has been recorded.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.



CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair market value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was incurred for the current year's acquisitions and improvements.

Property, plant and equipment are depreciated in all funds of the government using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Public Domain Infrastructure	20-30
Mains and Connections	20-100
Equipment	10-20
Intangibles	3-5

8. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reserves of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 20, the City Manager submits, to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget three times during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds, except for certain capital projects which are adopted on a per project basis.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Major Street Fund	\$ 150,033	\$	158,476

These overages were funded by available fund balance and greater than anticipated revenues.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

The City's deposits and investments are all on deposit with Citizen's Bank, Chemical Bank, and Central Michigan Community Federal Credit Union.

*Investment rate risk.* The City will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the City's cash requirement.

*Foreign currency risk.* The City is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The City will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the City's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the City will do business in accordance with the City's investment policy.

*Concentration of credit risk.* The City will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$1,840,679 of the government's bank balance of \$3,073,547 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered, or securities held by the City or the City's agent in the City's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the City's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the City's name. At year end all of the City's investments were uncategorized as to risk.

A reconciliation of cash follows:

	PRIMARY GOVERNMENT
Cash on Hand	\$ 320
Carrying amount of Deposits	<u>3,093,424</u>
	<u>\$ 3,093,744</u>
Government-wide Statement of Net Assets	
Cash	\$ 2,961,281
Statement of Fiduciary Net Assets	
Cash	<u>132,463</u>
Total	<u>\$ 3,093,744</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	General	Major and Local Street	Water and Sewer	Nonmajor and Other Funds	Total
Receivables					
Taxes	\$ 8,001	\$ 0	\$ 0	\$ 0	\$ 8,001
Accounts	114,632	2,213	230,631	0	347,476
Intergovernmental	0	24,421	61,974	0	86,395
Special Assessments					
Current	0	0	25,712	0	25,712
Deferred	0	51,906	0	0	51,906
Mortgages and Notes	0	0	0	21,053	21,053
Less:					
Allowance for Uncollectibles	0	0	(400)	(3,000)	(3,400)
Net Receivables	<u>\$ 122,633</u>	<u>\$ 78,540</u>	<u>\$ 317,917</u>	<u>\$ 18,053</u>	<u>\$ 537,143</u>

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Accounts Receivable (General Fund)	\$ 100,000	\$ 0
Special Assessment Receivable (Special Revenue Funds)	51,906	0
Mortgages Receivable (Special Revenue Funds)	18,053	0
	<u>\$ 169,959</u>	<u>\$ 0</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 767,072	\$ 9,126	\$ 0	\$ 776,198
Capital assets, being depreciated				
Buildings	956,180	376,989	0	1,333,169
Intangibles	138,488	0	0	138,488
Land Improvements	2,802,247	74,160	0	2,876,407
Machinery and Equipment	36,048	0	0	36,048
Office Equipment	40,520	2,357	0	42,877
Vehicles	18,500	26,731	0	45,231
Paved Roads	5,647,270	55,699	0	5,702,969
Unpaved Roads	45,638	0	0	45,638
Total capital assets, being depreciated	9,684,891	535,936	0	10,220,827
Less accumulated depreciation for:				
Buildings	126,069	19,176	0	145,245
Intangibles	23,904	12,500	0	36,404
Land Improvements	1,011,162	126,870	0	1,138,032
Machinery and Equipment	16,558	3,522	0	20,080
Office Equipment	32,540	1,774	0	34,314
Vehicles	2,775	3,700	0	6,475
Paved Roads	2,919,833	188,243	0	3,108,076
Unpaved Roads	28,904	1,521	0	30,425
Total Accumulated Depreciation	4,161,745	357,306	0	4,519,051
Total Capital Assets, Being Depreciated, Net	5,523,146	178,630	0	5,701,776
Governmental Activities Capital Assets, Net	\$ 6,290,218	\$ 187,756	\$ 0	\$ 6,477,974
Internal Service Fund Net Capital Assets				243,751
Net Capital Assets per Statement of Net Assets				<u>\$ 6,721,725</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Business – Type Activities

	Beginning Balance	Increases	Decreases	Balance
<u>Sewage Disposal</u>				
Capital assets, not being depreciated				
Land	\$ 458,091	\$ 0	\$ 0	\$ 458,091
Capital assets, being depreciated				
Machinery and Equipment	343,419	559,639	0	903,058
Sewer Connection Lines	3,103,136	0	0	3,103,136
Treatment System	2,387,281	0	0	2,387,281
Total capital assets, Sewer, being depreciated	5,833,836	559,639	0	6,393,475
Less accumulated depreciation for:				
Machinery and Equipment	274,277	9,236	0	283,513
Sewer Connection Lines	1,040,374	60,440	0	1,100,814
Treatment System	984,298	59,478	0	1,043,776
Total accumulated depreciation, Sewer	2,298,949	129,154	0	2,428,103
Total capital assets, Sewer, being depreciated, net	3,534,887	430,485	0	3,965,372
Sewer capital assets, net	3,992,978	430,485	0	4,423,463
<u>Water Supply</u>				
Capital assets, not being depreciated				
Land	5,500	0	0	5,500
Capital assets, being depreciated				
Buildings	32,960	0	0	32,960
Intangibles	125,267	0	0	125,267
Machinery and Equipment	107,474	617,889	0	725,363
Mains and Connections	3,199,082	0	0	3,199,082
Meters	168,339	0	0	168,339
Tower	1,198,586	0	0	1,198,586
Wells and Control Building	1,559,581	566,981	0	2,126,562
Total capital assets, Water, being depreciated	6,391,289	1,184,870	0	7,576,159

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	Beginning Balance	Increases	Decreases	Balance
Less accumulated depreciation for:				
Buildings	\$ 30,223	\$ 249	\$ 0	\$ 30,472
Intangible	10,439	12,527	0	22,966
Machinery and Equipment	64,066	5,244	0	69,310
Mains and Connectionss	835,920	61,181	0	897,101
Meters	99,580	12,071	0	111,651
Tower	398,699	22,138	0	420,837
Wells and Control Building	510,656	39,356	0	550,012
Total accumulated depreciation, Water	1,949,583	152,766	0	2,102,349
Total capital assets, Water, being depreciated, net	4,441,706	1,032,104	0	5,473,810
Water capital assets, net	4,447,206	1,032,104	0	5,479,310
Total capital assets, net Business -type activities	\$ 8,440,184	\$ 1,462,589	\$ 0	\$ 9,902,773

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 56,353
Public Safety	8,890
Public Works	280,553
Recreation and Culture	11,510

Total depreciation expense - governmental activities	<u>\$ 357,306</u>
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Business-type activities:

Sewer	\$ 129,154
Water	152,766

Total depreciation expense - business-type activities	<u>\$ 281,920</u>
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CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**D. Interfund Receivables and Payables and Transfers**

Individual fund interfund receivable and payable balances at June 30, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Primary		
General Fund	\$ 2,290	\$ 47,032
Special Revenue Fund		
Major Street Fund	0	3,538
Local Street Fund	0	820
Park Recreation Fund	0	140
Community Recreation	0	50
Cemetery Fund	0	165
Capital Projects Fund - Building Authority	0	1
Enterprise Fund		
Water Supply System	1	4,139
Sewage Disposal System	46,282	3,776
Equipment Pool		
General Fund	749	41
Major Street Fund	3,446	0
Local Street Fund	779	0
Park Recreation Fund	140	0
Community Recreation	50	0
Cemetery Fund	165	0
Sewage Disposal System	2,800	0
Water Supply System	3,000	0
Total Primary Government	<u>\$ 59,702</u>	<u>\$ 59,702</u>

Primary Government Due from Component Units:

General Fund	
Local Development Financing Authority	\$ 3,150
Downtown Development Authority	<u>4,325</u>
	<u>\$ 7,475</u>

Interfund payables and receivables are not presented for the component units, Local Development Finance Authority and Downtown Development Authority, because they are not presented in the financial statements as stated earlier in Note IA.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2007, are expected to be repaid within one year.

The following is a schedule of interfund transfers for the year ending June 30, 2007:

<u>FUND</u>	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>General Fund</u>		
To		
Major Street Fund	\$ 0	\$ 6,920
Local Street Fund	0	16,641
Park Recreation Fund	0	22,515
Cemetery Fund	0	19,000
Community Recreation Fund	0	86,600
Police Vehicle Fund	0	15,505
Fire Vehicle Fund	0	10,000
From		
Police Vehicle Fund	25,701	0
<u>Debt Service Funds</u>		
<u>General Obligation Series 1988 Fund</u>		
To		
Police Facility Debt Retirement Fund	0	3
<u>Special Revenue Funds</u>		
Major Street Fund		
From		
General Fund	16,641	0
Local Street Fund		
From		
General Fund	6,920	0
Park Recreation Fund		
From		
General Fund	22,515	0
Cemetery Fund		
From		
General Fund	19,000	0
Community Recreation Fund		
From		
General Fund	86,600	0

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

		<u>TRANSFERS</u>	
		<u>IN</u>	<u>OUT</u>
<u>Debt Service Funds</u>			
<u>Police Facility Debt Retirement Fund</u>			
From			
General Obligation Series 1988 Fund	\$	3	\$ 0
<u>Capital Project Funds</u>			
<u>Police Vehicle Fund</u>			
From			
General Fund		15,505	0
To			
General Fund		0	25,701
<u>Fire Vehicle Fund</u>			
From			
General Fund		10,000	0
TOTALS		\$ 202,885	\$ 202,885

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Changes in Long-Term Debt**

The following is a summary of debt transactions of the City of Evart for the year ended June 30, 2007:

Governmental Activities:

	<u>GENERAL</u>		
	<u>OBLIGATION</u>	<u>OTHER</u>	
	<u>BONDS</u>	<u>DEBT</u>	<u>TOTAL</u>
Debt Payable at			
July 1, 2006	\$ 163,500	\$ 54,662	\$ 218,162
Debt Retired	(3,400)	(4,286)	(7,686)
New Debt Issued	0	20,252	20,252
 DEBT PAYABLE AT			
JUNE 30, 2007	\$ 160,100	\$ 70,628	\$ 230,728
 Due Within One Year			
	\$ 3,600	\$ 0	\$ 3,600

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Debt payable at June 30, 2007 is comprised of the following individual issues:

Governmental Activities

General Obligation

\$178,300, 2001 Building Authority bonds due in annual installments  
of \$3,600 to \$11,000 through May 1, 2031; interest at 4.875% \$ 160,100

Other Debt

Compensated Absences

Vested sick and vacation pay owed to City employees under various  
contracts and agreements (this debt is payable from the General Fund  
and various Special Revenue Funds) 70,628

Total Governmental Activities \$ 230,728

The annual requirements to amortize debt outstanding, including interest payments of \$115,220 as of June 30, 2007, are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS	OTHER DEBT	TOTAL
2008			
Principal	\$ 3,600	\$ 0	\$ 3,600
Interest	7,804	0	7,804
Total	<u>11,404</u>	<u>0</u>	<u>11,404</u>
2009			
Principal	3,800	0	3,800
Interest	7,630	0	7,630
Total	<u>11,430</u>	<u>0</u>	<u>11,430</u>
2010			
Principal	4,000	0	4,000
Interest	7,444	0	7,444
Total	<u>11,444</u>	<u>0</u>	<u>11,444</u>
2011			
Principal	4,200	0	4,200
Interest	7,250	0	7,250
Total	<u>11,450</u>	<u>0</u>	<u>11,450</u>
2012			
Principal	4,400	0	4,400
Interest	7,044	0	7,044
Total	<u>11,444</u>	<u>0</u>	<u>11,444</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS	OTHER DEBT	TOTAL
2013-2017			
Principal	25,400	0	25,400
Interest	31,794	0	31,794
Total	57,194	0	57,194
2018-2022			
Principal	32,500	0	32,500
Interest	24,936	0	24,936
Total	57,436	0	57,436
2023-2027			
Principal	41,200	0	41,200
Interest	16,200	0	16,200
Total	57,400	0	57,400
2028-2031			
Principal	41,000	0	41,000
Interest	5,118	0	5,118
Total	46,118	0	46,118
Grand Total			
Principal	160,100	0	160,100
Interest	115,220	0	115,220
Total	\$ 275,320	\$ 0	\$ 275,320

The annual requirements to amortize vested sick and vacation pay is uncertain because it is unknown when the repayments will be made.

Business-Type Activities:

	REVENUE BONDS	OTHER DEBT	TOTAL
Debt Payable at July 1, 2006	\$ 775,000	\$ 0	\$ 775,000
Debt Retired	(45,000)	0	(45,000)
New Debt Issued	0	0	0
DEBT PAYABLE AT June 30, 2007	\$ 730,000	\$ 0	\$ 730,000
Due Within One Year	\$ 45,000	\$ 0	\$ 45,000

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Debt payable at June 30, 2007, is comprised of the following individual issues:

Business-type activities:

Revenue Bonds

\$1,930,000 Sewage Disposal System FmHA Bonds due in annual  
installments of \$45,000 to \$80,000 through July 1, 2018; interest at 5.0%      \$ 730,000

The annual requirements to amortize all debt outstanding, including interest payments of \$239,750 for the business-type activities as of June 30, 2007, are as follows:

	YEAR ENDING JUNE 30,	REVENUE BONDS
2008		
Principal		\$ 45,000
Interest		35,375
Total		<u>80,375</u>
2009		
Principal		50,000
Interest		33,000
Total		<u>83,000</u>
2010		
Principal		50,000
Interest		30,500
Total		<u>80,500</u>
2011		
Principal		55,000
Interest		27,875
Total		<u>82,875</u>
2012		
Principal		55,000
Interest		25,125
Total		<u>80,125</u>
2013-2017		
Principal		320,000
Interest		80,000
Total		<u>400,000</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	YEAR ENDING JUNE 30,	REVENUE BONDS
2018-2019		
Principal		155,000
Interest		7,875
Total		<u>162,875</u>
Grand Total		
Principal		730,000
Interest		239,750
Total		<u>\$ 969,750</u>

**G. Interest Income and Interest Expense**

Individual fund interest income and interest expense for the primary government for the year ending June 30, 2007, were:

<u>FUND</u>	<u>INTEREST INCOME</u>	<u>INTEREST EXPENSE</u>
General Fund	\$ 46,655	\$ 0
Special Revenue Fund		
Major Street Fund	11,314	0
Local Street Fund	5,432	0
Park Recreation Fund	1,711	0
Cemetery Operating Fund	6,791	0
1976 Housing Rehabilitation Fund	116	0
1983 Housing Rehabilitation Fund	3,785	0
Community Recreation Fund	1,817	0
Debt Service Fund		
Police Facility - 2001 Building Authority Bonds	0	7,971
Capital Projects Fund		
Capital Projects - Fire Vehicle	1,312	0
Enterprise Fund		
Water Supply System	45,754	0
Sewage Disposal System	28,099	36,500
Internal Service Fund		
Equipment Pool Fund	4,600	52
	<u>\$ 157,386</u>	<u>\$ 44,523</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Interest received in the Cemetery Trust Fund is recorded in the Cemetery Operating Fund and interest received in the Summer Tax Collection Fund and the Winter Tax Collection Fund is recorded in the General Fund.

**IV. OTHER INFORMATION**

**A. Employee Retirement Systems**

Plan Description and Provisions:

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

MERS  
Municipal Employees' Retirement System of Michigan  
1134 Municipal Way  
Lansing, MI 48917

Funding Status and Progress:

The obligation to contribute to the system for these employees was established by the City Council under Act 427 of Public Acts of 1984 and administered by the State of Michigan. The covered payroll for the year ended June 30, 2007 was \$417,762. The amount contributed by the city was 12.89% of covered payroll. The plan required a contribution from the employees of 3% of the first \$4,200 of annual wages and 5% of annual wages in excess of \$4,200.

Annual Pension Cost:

The annual required contribution was determined as part of an actuarial valuation at December 31, using the entry actual age cost method. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls over a period of 30 years.



CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**Six-Year Trend Information for MERS**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 43,424	100%	\$ 0
6/30/03	43,478	100%	0
6/30/04	47,478	100%	0
6/30/05	50,713	100%	0
6/30/06	52,153	100%	0
6/30/07	53,850	100%	0

**Schedule of Funding Progress for MERS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarially Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$ 495,828	\$ 766,830	\$ 273,002	64%	\$ 394,934	69%
12/31/02	577,401	847,216	269,815	68%	451,347	60%
12/21/03	681,695	910,454	228,759	75%	392,862	58%
12/31/04	783,108	982,807	199,699	80%	367,445	54%
12/31/05	879,165	1,121,502	242,337	78%	406,188	60%
12/31/06	980,924	1,268,444	287,520	77%	424,255	68%

The City also funds an ICMA Retirement Corporation plan for certain employees. For the year ended June 30, 2007 the contribution was \$12,977. These accounts are the property of the employees, thus no GASB 27 disclosures are included in the City's reporting entity.

**B. Contingent Liabilities**

Federal Grants

The City participates in a number of federally assisted grant programs, principal of which are Community Development Block Grants, and Economic Development Administration Grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Tax Abatement Proceedings

Currently, the City has several cases being brought to the Michigan Tax Tribunal for reduction of assessed values due to proposed changes in the calculations of valuations on assets of certain

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

taxpayers. If successful in their petition for reduced taxable values, the City's tax revenues may be reduced; the amount of potential reduction is not known.

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters for which the City carries commercial insurance.

**D. Commitments and Contracts Let**

The City, Chrysler Corporation and Evart Products Textron reached a joint agreement to clean up and maintain the ground water contamination site at the landfill. The plan calls for a ground cap to reduce the flow of contaminants. The plan had a five-year clean up with the first year to require approximately \$130,000 from the City to put the ground cap in place, including topsoil and erosion protection. The City's portion of the site remediation is not expected to exceed \$269,000; to date, the City has expended approximately \$240,649 of this expected amount. The five-year clean up was completed in 2004.

The plan also calls for a maintenance program at the site, which the City will monitor, to ensure the cap is in place and to minimize public contact with the landfill site.

**E. Legal Proceedings**

The City has legal proceedings regarding matters related to employee terminations and other issues. These have been or will be referred to legal counsel or the City's insurance carriers. At the date of this report there is no indication that losses, if any, will exceed the insurance coverage for these matters. It is not expected that the outcome if unfavorable will have a materially negative effect on the City's financial position.

**F. Joint Venture - Evart Area Joint Fire Department**

The City is a member of the Evart Area Joint Fire Department. The Joint Fire Department is a joint venture of the City of Evart, and the townships of Evart, Orient, Osceola, and Sylvan. The City contributed \$36,875 to the current operating budget. Each municipality has agreed to contribute an equivalent of up to one mill each year for fire protection. The June 30, 2006 financial data is the most current available. A summary follows:

Total Assets	\$607,560
Investment in Fixed Assets	535,360
Balance - Unreserved	70,042
Total Receipts	202,132
Total Disbursements	256,618
Net Increase (Decrease) in Fund Balance	(54,486)

A copy of these audited financial statements may be obtained upon request from the Fire Department treasurer.

CITY OF EVART  
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<u>Revenues</u>									
Taxes	\$ 872,219	\$ 600,058	\$ 607,244	\$ 4,033	\$ 6,746	\$ 8,047	\$ 0	\$ 0	\$ 0
Licenses and Permits	0	6,300	81	0	0	0	0	0	0
State Grants	0	179,900	181,281	127,131	127,131	122,843	40,200	40,200	41,201
Charges for Services	0	57,150	58,941	0	0	0	0	0	0
Fines and Forfeits	0	1,700	2,945	0	0	0	0	0	0
Interest and Rents	0	24,500	48,038	8,000	8,000	11,314	5,850	5,850	5,432
Other Revenue	0	406,005	414,667	0	0	0	0	0	0
Total Revenues	872,219	1,275,613	1,313,197	139,164	141,877	142,204	46,050	46,050	46,633
<u>Expenditures</u>									
Legislative									
City Council	4,550	4,550	2,800	0	0	0	0	0	0
General Government									
Mayor	2,300	2,300	1,645	0	0	0	0	0	0
City Manager	37,120	37,280	37,047	0	0	0	0	0	0
Elections	3,670	2,955	2,808	0	0	0	0	0	0
Professional Services	4,500	4,025	3,375	0	0	0	0	0	0
Treasurer	33,850	33,850	32,281	0	0	0	0	0	0
Assessor	9,000	9,000	8,484	0	0	0	0	0	0
Attorney	11,400	11,875	17,180	0	0	0	0	0	0
Clerk	22,288	22,843	20,639	0	0	0	0	0	0
Deputy Clerk	12,225	12,225	10,931	0	0	0	0	0	0
Planning and Zoning	1,000	1,200	0	0	0	0	0	0	0
Tax Rebates	0	0	2,887	0	0	0	0	0	0
Board of Review	1,650	1,650	863	0	0	0	0	0	0
Building and Grounds	32,890	41,335	44,016	0	0	0	0	0	0
Public Safety									
Police	250,966	337,032	319,097	0	0	0	0	0	0
Fire Protection	38,675	38,675	36,875	0	0	0	0	0	0

CITY OF EVART  
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Public Works									
Landfill	3,670	3,670	1,620	0	0	0	0	0	0
Department of Public Works	61,357	486,208	463,194	0	0	0	0	0	0
Airport	22,660	18,621	15,683	0	0	0	0	0	0
Trees	17,985	22,035	22,035	0	0	0	0	0	0
Street Lighting	28,580	27,209	26,614	0	0	0	0	0	0
Refuse Service	57,850	57,871	57,870	0	0	0	0	0	0
Street Department	0	0	0	146,112	150,033	158,476	59,239	58,031	54,405
Community and Economic Development									
Planning Commission	200	0	0	0	0	0	0	0	0
Other Functions									
Fringe Benefits	37,018	41,980	41,641	0	0	0	0	0	0
Insurance	15,291	15,291	15,291	0	0	0	0	0	0
Special Events	2,000	2,000	1,743	0	0	0	0	0	0
Total Expenditures	712,695	1,235,680	1,186,619	146,112	150,033	158,476	59,239	58,031	54,405
Excess (Deficiency) of Revenues Over (Under) Expenditures	159,524	39,933	126,578	(6,948)	(8,156)	(16,272)	(13,189)	(11,981)	(7,772)
<u>Other Financing Sources (Uses)</u>									
Tranfers In	0	25,701	25,701	6,920	6,920	6,920	13,180	16,641	16,641
Transfers Out	(148,215)	(177,181)	(177,181)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(148,215)	(151,480)	(151,480)	6,920	6,920	6,920	13,180	16,641	16,641
Net Change in Fund Balance	11,309	(111,547)	(24,902)	(28)	(1,236)	(9,352)	(9)	4,660	8,869
<u>Fund Balance</u> - Beginning of Year	328,762	376,732	376,732	115,111	164,359	164,359	83,750	129,843	129,843
<u>Fund Balance</u> - End of Year	\$ 340,071	\$ 265,185	\$ 351,830	\$ 115,083	\$ 163,123	\$ 155,007	\$ 83,741	\$ 134,503	\$ 138,712

CITY OF EVART  
EVART, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Debt Service Funds		Capital Project Funds		Permanent Fund	Total
	Park		1976	1983		General	Police			Cemetery	Non-Major
	Recreation	Cemetery	Housing	Housing	Community	Obligation	Facility	Police	Fire	Perpetual	Governmental
			Rehabilitation	Rehabilitation	Recreation	Series 1988	Debt Retirement	Vehicle	Vehicle	Care	Funds
<u>Assets</u>											
Cash	\$ 46,911	\$ 43,837	\$ 2,796	\$ 97,023	\$ 40,744	\$ 0	\$ 4	\$ 0	\$ 33,028	\$ 0	\$ 264,343
Mortgage Receivable (Net of Uncollectables)	0	0	17,914	139	0	0	0	0	0	0	18,053
Prepaid Expense	229	375	0	0	229	0	0	0	0	0	833
Restricted Cash	0	0	0	0	0	0	0	0	0	135,973	135,973
Total Assets	\$ 47,140	\$ 44,212	\$ 20,710	\$ 97,162	\$ 40,973	\$ 0	\$ 4	\$ 0	\$ 33,028	\$ 135,973	\$ 419,202
<u>Liabilities and Fund Balance</u>											
<u>Liabilities</u>											
Accounts Payable	\$ 1,111	\$ 91	\$ 0	\$ 0	\$ 1,358	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,560
Pavillion Rental Deposits	840	0	0	0	0	0	0	0	0	0	840
Due to Other Funds	140	165	0	0	50	0	0	0	0	0	355
Deferred Revenue	0	0	17,914	139	0	0	0	0	0	0	18,053
Total Liabilities	2,091	256	17,914	139	1,408	0	0	0	0	0	21,808
<u>Fund Balance</u>											
Reserved for Prepaid Expenses	229	375	0	0	229	0	0	0	0	0	833
Reserved for Debt Service	0	0	0	0	0	0	4	0	0	0	4
Reserved for Endowment	0	0	0	0	0	0	0	0	0	135,973	135,973
Designated for Skate Park	0	0	0	0	22,866	0	0	0	0	0	22,866
Designated for Equipment	0	0	0	0	2,482	0	0	0	0	0	2,482
Unreserved, Undesignated	44,820	43,581	2,796	97,023	13,988	0	0	0	33,028	0	235,236
Total Fund Balances	45,049	43,956	2,796	97,023	39,565	0	4	0	33,028	135,973	397,394
Total Liabilities and Fund Balance	\$ 47,140	\$ 44,212	\$ 20,710	\$ 97,162	\$ 40,973	\$ 0	\$ 4	\$ 0	\$ 33,028	\$ 135,973	\$ 419,202

CITY OF EVART  
EVART, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Debt Service Funds		Capital Project Funds		Permanent Fund	Total
	Park	1976	1983		Community	General	Police			Cemetery	Non-Major
	Recreation	Cemetery	Housing	Housing	Recreation	Obligation	Facility	Police	Fire	Perpetual	Governmental
			Rehabilitation	Rehabilitation		Series 1988	Debt	Vehicle	Vehicle	Care	Funds
							Retirement				
<u>REVENUES</u>											
Contributions from Local Units	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,200
Charges for Services	586	16,738	0	0	12,651	0	0	0	0	750	30,725
Interest and Rents	16,236	6,791	116	3,785	1,817	0	11,371	0	1,312	0	41,428
Other	0	5,950	0	136	2,012	0	0	0	0	0	8,098
Total Revenues	16,822	29,479	116	3,921	17,680	0	11,371	0	1,312	750	81,451
<u>EXPENDITURES</u>											
General Government	0	41,152	0	0	0	0	0	0	0	154	41,306
Recreation and Culture	20,818	0	0	0	108,375	0	0	0	0	0	129,193
Debt Service											
Principal	0	0	0	0	0	0	3,400	0	0	0	3,400
Interest and Fiscal Charges	0	0	0	0	0	0	7,971	0	0	0	7,971
Total Expenditures	20,818	41,152	0	0	108,375	0	11,371	0	0	154	181,870
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,996)	(11,673)	116	3,921	(90,695)	0	0	0	1,312	596	(100,419)
<u>OTHER FINANCING SOURCES</u>											
Transfers In	22,515	19,000	0	0	86,600	0	3	15,505	10,000	0	153,623
Transfers Out	0	0	0	0	0	(3)	0	(25,701)	0	0	(25,704)
Total Other Financing Sources (Uses)	22,515	19,000	0	0	86,600	(3)	3	(10,196)	10,000	0	127,919
Net Change in Fund Balance	18,519	7,327	116	3,921	(4,095)	(3)	3	(10,196)	11,312	596	27,500
<u>FUND BALANCE -</u>											
Beginning of Year	26,530	36,629	2,680	93,102	43,660	3	1	10,196	21,716	135,377	369,894
<u>FUND BALANCE -</u>											
End of Year	\$ 45,049	\$ 43,956	\$ 2,796	\$ 97,023	\$ 39,565	\$ 0	\$ 4	\$ 0	\$ 33,028	\$ 135,973	\$ 397,394

CITY OF EVART, MICHIGAN

1988 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

JUNE 30, 2007

<u>TITLE OF ISSUE</u>	FmHA 1988 Sewage Disposal System Bonds Payable		
<u>PURPOSE</u>	Construction of Sanitary Sewage Disposal System including treatment, collection and lift station.		
<u>DATE OF ISSUE</u>	July 1, 1988		
<u>AMOUNT OF ISSUE</u>	\$ 1,930,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$ 1,155,000		
During Current Period	45,000		1,200,000
<u>BALANCE OUTSTANDING - June 30, 2007</u>			<u>\$ 730,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
July 1, 2007	5.00%	\$ 63,250	\$ 18,250	\$ 45,000
January 1, 2008		17,125	17,125	
July 1, 2008	5.00%	67,125	17,125	50,000
January 1, 2009		15,875	15,875	
July 1, 2009	5.00%	65,875	15,875	50,000
January 1, 2010		14,625	14,625	
July 1, 2010	5.00%	69,625	14,625	55,000
January 1, 2011		13,250	13,250	
July 1, 2011	5.00%	68,250	13,250	55,000
January 1, 2012		11,875	11,875	
July 1, 2012	5.00%	71,875	11,875	60,000
January 1, 2013		10,375	10,375	
July 1, 2013	5.00%	70,375	10,375	60,000
January 1, 2014		8,875	8,875	
July 1, 2014	5.00%	73,875	8,875	65,000
January 1, 2015		7,250	7,250	

CITY OF EVART, MICHIGAN

1988 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
July 1, 2015	5.00%	\$ 72,250	\$ 7,250	\$ 65,000
January 1, 2016		5,625	5,625	
July 1, 2016	5.00%	75,625	5,625	70,000
January 1, 2017		3,875	3,875	
July 1, 2017	5.00%	78,875	3,875	75,000
January 1, 2018		2,000	2,000	
July 1, 2018	5.00%	82,000	2,000	80,000
		<u>\$ 969,750</u>	<u>\$ 239,750</u>	<u>\$ 730,000</u>

PRIOR REDEMPTION

Bonds maturing in the years 2000 through 2007 are subject to scheduled call provisions.



CITY OF EVART, MICHIGAN

POLICE FACILITY - BUILDING AUTHORITY SERIES 2001 BONDS

JUNE 30, 2007

<u>TITLE OF ISSUE</u>	Building Authority Bonds, Series 2001		
<u>PURPOSE</u>	Construction of new Police facility.		
<u>DATE OF ISSUE</u>	September 6, 2001		
<u>INTEREST RATE</u>	4.875%		
<u>INTEREST PAYABLE</u>	May 1 and November 1		
<u>AMOUNT OF ISSUE</u>		\$	178,300
<u>AMOUNT REDEEMED</u>			
Prior to Current Period		\$	14,800
During Current Period			3,400
			<u>18,200</u>
<u>BALANCE OUTSTANDING - June 30, 2007</u>		\$	<u>160,100</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 3,902	\$ 3,902	
May 1, 2008	4.875%	7,502	3,902	\$ 3,600
November 1, 2008		3,815	3,815	
May 1, 2009	4.875%	7,615	3,815	3,800
November 1, 2009		3,722	3,722	
May 1, 2010	4.875%	7,722	3,722	4,000
November 1, 2010		3,625	3,625	
May 1, 2011	4.875%	7,825	3,625	4,200
November 1, 2011		3,522	3,522	
May 1, 2012	4.875%	7,922	3,522	4,400
November 1, 2012		3,415	3,415	
May 1, 2013	4.875%	8,015	3,415	4,600

CITY OF EVART, MICHIGAN

POLICE FACILITY - BUILDING AUTHORITY SERIES 2001 BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2013		\$ 3,303	\$ 3,303	
May 1, 2014	4.875%	8,103	3,303	\$ 4,800
November 1, 2014		3,186	3,186	
May 1, 2015	4.875%	8,286	3,186	5,100
November 1, 2015		3,061	3,061	
May 1, 2016	4.875%	8,361	3,061	5,300
November 1, 2016		2,932	2,932	
May 1, 2017	4.875%	8,532	2,932	5,600
November 1, 2017		2,796	2,796	
May 1, 2018	4.875%	8,696	2,796	5,900
November 1, 2018		2,652	2,652	
May 1, 2019	4.875%	8,852	2,652	6,200
November 1, 2019		2,501	2,501	
May 1, 2020	4.875%	9,001	2,501	6,500
November 1, 2020		2,342	2,342	
May 1, 2021	4.875%	9,142	2,342	6,800
November 1, 2021		2,177	2,177	
May 1, 2022	4.875%	9,277	2,177	7,100
November 1, 2022		2,004	2,004	
May 1, 2023	4.875%	9,504	2,004	7,500
November 1, 2023		1,821	1,821	
May 1, 2024	4.875%	9,721	1,821	7,900
November 1, 2024		1,628	1,628	
May 1, 2025	4.875%	9,828	1,628	8,200
November 1, 2025		1,428	1,428	
May 1, 2026	4.875%	10,028	1,428	8,600
November 1, 2026		1,219	1,219	
May 1, 2027	4.875%	10,219	1,219	9,000
November 1, 2027		999	999	
May 1, 2028	4.875%	10,499	999	9,500
November 1, 2028		768	768	
May 1, 2029	4.875%	10,768	768	10,000

CITY OF EVART, MICHIGAN

POLICE FACILITY - BUILDING AUTHORITY SERIES 2001 BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2029		\$ 524	\$ 524	
May 1, 2030	4.875%	11,024	524	\$ 10,500
November 1, 2030		268	268	
May 1, 2031	4.875%	11,268	268	11,000
TOTALS		<u>\$ 275,320</u>	<u>\$ 115,220</u>	<u>\$ 160,100</u>

PRIOR REDEMPTION

Bonds will be subject to redemption prior to maturity at the option of the Authority, in any order, in whole or in part, in integral multiples of \$100, on any date, at par, plus accrued interest to the redemption date.

**CITY OF EVART**  
**EVART, MICHIGAN**  
**SINGLE AUDIT**  
**JUNE 30, 2007**

*Baird, Cotter and Bishop, P.C.*  
**CERTIFIED PUBLIC ACCOUNTANTS**

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CITY OF EVART  
EVART, MICHIGAN

SINGLE AUDIT  
YEAR ENDED JUNE 30, 2007

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# *Baird, Cotter and Bishop, P.C.*

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August 30, 2007

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council  
City of Evart  
Evart, Michigan

#### COMPLIANCE

We have audited the compliance of City of Evart with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The City of Evart's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Evart's management. Our responsibility is to express an opinion on City of Evart's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Evart's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Evart's compliance with those requirements.

In our opinion, the City of Evart complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

#### INTERNAL CONTROL OVER COMPLIANCE

The management of the City of Evart is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Evart's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Evert as of and for the year ended June 30, 2007, and have issued our report thereon dated August 30, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Evert's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CITY OF EVART  
EVART, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL AGENCY PASS THROUGH ENTITY PROGRAM TITLE	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30 2007	ADJUSTMENTS
<b>U.S. Department of Housing and Urban Development</b>								
Passed Through Michigan Strategic Fund								
Community Development Block Grant								
MSC 205039-ICE	14.228	\$ 280,600	\$ 0	\$ 0	\$ 280,600	\$ 247,999	\$ 32,601	\$ 0
MSC 205040-ICE	14.228	<u>383,000</u>	<u>0</u>	<u>0</u>	<u>325,490</u>	<u>296,117</u>	<u>29,373</u>	<u>0</u>
<b>Total U.S. Department of Housing and Urban Development</b>	14.228	<u>663,600</u>	<u>0</u>	<u>0</u>	<u>606,090</u>	<u>544,116</u>	<u>61,974</u>	<u>0</u>
 <b>Total Federal Financial Assistance</b>		 \$ <u>663,600</u>	 \$ <u>0</u>	 \$ <u>0</u>	 \$ <u>606,090</u>	 \$ <u>544,116</u>	 \$ <u>61,974</u>	 \$ <u>0</u>



CITY OF EVART  
EVART, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	\$ <u>606,090</u>
 Federal Expenditures per Schedule of Expenditures of Federal Awards	 \$ <u>606,090</u>

# *Baird, Cotter and Bishop, P.C.*

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August 30, 2007

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Ewart  
Ewart, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ewart as of and for the year ended June 30, 2007, which collectively comprise the City of Ewart's basic financial statements of the city's primary government and have issued our report thereon dated August 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the City of Ewart's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ewart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ewart's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ewart's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ewart's financial statements that is more than inconsequential will not be prevented or detected by the City of Ewart's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings and questioned costs as item II-a.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Evert's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Evert's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CITY OF EVART  
EVART, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

There were no prior year findings and questioned costs.

CITY OF EVART  
EVART, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Section I - Summary of Auditors - Results**

---

***Financial Statements***

Type of auditors' report issued: Unqualified

Significant deficiencies identified:   X   Yes        No

Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal control over major programs:

Significant deficiencies identified:        Yes   X   No

Significant deficiencies identified that are not considered to be material weakness(es)?        Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Adverse.

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?        Yes   X   No

CITY OF EVART  
EVART, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Section II – Financial Statement Findings**

Significant Deficiency:

- a. The relatively small number of people involved in the accounting functions of the City makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the City Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the City Council to establish a larger accounting staff in order to implement proper segregation of duties.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Evart's internal control. The significant deficiency noted above was not considered to be a material weakness.

Corrective Action Plan

Inadequate segregation of duties.

The City is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The City will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

**Section III - Federal Award Findings and Questioned Costs**

None.

# *Baird, Cotter and Bishop, P.C.*

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August 30, 2007

City of Evart  
200 South Main Street  
Evart, Michigan

Dear Mayor, Council Members, City Manager and Staff:

We have completed our audit of the financial statements of the City of Evart, Michigan, and are communicating to you our findings and recommendations for the year ended June 30, 2007.

### Condition of Accounting Records

The City's accounting records were found to be in good order. The Treasurer, Pamela Wayne, is to be commended for a job well done.

### Budgetary Accounting

Expenditures in the Major Street Fund exceeded appropriated amounts. The City should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

### Transfer between Major and Local Street Fund

For the current fiscal year there were no transfers between the Major and Local Street Funds. In previous years transfers were made. You are now allowed to transfer as much as 50% of your Major Street Act 51 revenue on an annual basis for preservation purposes. We recommend the City consider taking advantage of these transfers from the Major Street Fund to the Local Street Fund to help insure funds are available for the Local Street Fund.

### Single Audit Report

The City of Evart received over \$500,000 in federal funds and, therefore, is required to have a "Single Audit" in accordance with various federal and state guidelines. We have completed the required Single Audit and have issued our reports thereon under a separate cover from your regular annual financial statements.

We recommend the Mayor and Council review the reports in the Single Audit for the year ended June 30, 2007.

Credit Card Policy

It was determined that the City of Evart does not have a credit card policy in place that sets forth the City's guidelines for credit card usage by its employees in accordance with PA 266 of 1995.

We recommend that the Council approve and implement such a policy.

Exclusion of LDFA and DDA Financial Statement Information

The audited financial statements of the City of Evart do not include the financial data of the Local Development Finance Authority or the Downtown Development Authority. The audit for these component units of the City of Evart has not been completed as of the date of this letter. Therefore, through consultation with the City Manager, it was decided that the inclusion of the financial data of the LDFA and DDA would cause an unnecessary delay in the issuance of the audited financial statements of the City of Evart so these component units have not been included in the annual audit of the City of Evart. The inclusion of the component unit financial data is necessary to comply with Generally Accepted Accounting Procedures (GAAP).

We recommend the City contact its component units and request a timely coordination of the annual audits so that the inclusion of the necessary information can be reported with the primary government's report. The information is not required to be consolidated by the State of Michigan. However, generally accepted accounting principles do require the data. The City declined to wait for the issuance of the component unit reports. We recommend the City Council and City Manager review the component unit audit reports and management letter for issues which may affect the City when those documents are available.

We wish to thank the council for the opportunity to be of service. If we can be of further service in implementing any of the above recommendations, we would be glad to work with the staff and administration. If you have any questions on the above or any other matters, please contact us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*